

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA
DOCKET NO. 2021-88-E

In the Matter of:	)	<u>SECOND AMENDED APPLICATION</u>
Dominion Energy South Carolina,	)	<u>TO APPROVE AND ESTABLISH</u>
Incorporated's Avoided Cost Proceeding	)	<u>PURSUANT TO S.C. CODE ANN.</u>
Pursuant to S.C. Code Ann. Section	)	<u>SECTION 58-41-20(A) THE</u>
58-41-20(A)	)	<u>STANDARD OFFER, AVOIDED COST</u>
	)	<u>METHODOLOGIES, FORM</u>
	)	<u>CONTRACT POWER PURCHASE</u>
	)	<u>AGREEMENTS, COMMITMENT TO</u>
	)	<u>SELL FORMS, AND ALL OTHER</u>
	)	<u>APPROPRIATE TERMS AND</u>
	)	<u>CONDITIONS</u>

Pursuant to Public Service Commission of South Carolina ("Commission") Order No. 2021-166, S.C. Code Ann. § 58-41-20(A), S.C. Code Ann. Regs. § 103-823, and Order No. 2021-384, Dominion Energy South Carolina, Incorporated ("DESC" or "Company") hereby files its Second Amended Application for approval of the standard offer, avoided cost methodologies, form contract power purchase agreements, commitment to sell forms, and all other appropriate terms and conditions ("Section 58-41-20(A) Items") that it proposes to use until at least such time as an Order is issued in the next Section 58-41-20(A) proceeding, and respectfully requests that these Section 58-41-20(A) Items be approved by the Commission. The Company filed its original Application on April 22, 2021, and filed its First Amended Application on June 7, 2021, and is further amending its Application to provide updated information and tariffs. In accordance with

South Carolina law, DESC is providing a copy of this Second Amended Application to the South Carolina Office of Regulatory Staff (“ORS”).

In support of the Section 58-41-20(A) Items proposed in the Second Amended Application, DESC would respectfully show the following:

The Applicant

1. DESC is a corporation duly organized and existing under the laws of the State of South Carolina, with its principal offices in Cayce, South Carolina. DESC’s mailing address is 220 Operation Way, Cayce, South Carolina 29033. The Company is engaged in, among other things, the business of generating, transmitting, delivering, and providing electricity to public and private energy users for compensation.

2. DESC operates an integrated electric utility system that serves approximately 760,000 customers in 24 counties in central, southern, and southwestern South Carolina. DESC’s service territory covers nearly 16,000 square miles in South Carolina including the metropolitan areas of Charleston, Columbia, Beaufort, and Aiken, and it also includes many other smaller cities, towns, and rural areas in South Carolina.

3. DESC has 991.2 megawatts (“MW”) of solar photovoltaic generation systems comprised of residential, commercial, utility scale and community solar. With respect to utility-scale (i.e., non-rooftop) solar specifically, in the summer of 2019, the nameplate capacity of utility-scale solar generation on the DESC system was approximately 485 MW. For the summer of 2020, the nameplate capacity of utility-scale solar generation on the DESC system exceeded 849 MW—an approximately 75% increase year-over-year—with utility-scale solar generation capacity expected to exceed 1,000 MW in the near future. In total, there are approximately 4,215 MW of additional applications for solar projects pending in DESC’s state and federal queues.

4. DESC's highest recorded daytime system load was 4,970 MW on February 20, 2015, while DESC's average daily peak load is less than 3,300 MW. To put this into perspective, DESC recently ranked first in the state for the amount of distributed solar on its system. Additionally, DESC ranks second—among the 13 largest utilities in the Southeast—with 807 solar watts per customer, which is 2.5 times the average for the region.

5. All pleadings, correspondence and communication relating to this Second Amended Application should be addressed to the following, who are authorized representatives to accept service on behalf of the Company in this proceeding.

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6. Section 58-41-20(A) requires the Commission, at least once every 24 months after the preceding approvals, to “approve each electrical utility’s standard offer, avoided cost methodologies, form contract power purchase agreements, commitment to sell forms, and any other terms or conditions necessary to implement this section.”

7. The Commission opened this docket on March 10, 2021, pursuant to Section 58-41-20(a) and directed DESC to file an application on April 22, 2021.

8. In Order No. 2021-166, the Commission set forth the following schedule for this matter:

Event	Proposed Date
Application Filed with the Commission	April 22, 2021
Intervention Deadline	May 28, 2021
Company Direct Testimony Due	June 29, 2021
All Other Parties' Direct Testimony Due	July 13, 2021
Rebuttal Testimony Due	July 27, 2021
Surrebuttal Testimony Due	August 10, 2021
Hearing Date	Beginning Wed., Aug 18, 2021 and *Continued As Necessary*

9. Pursuant to Order No. 2021-166, the Company filed its Application on April 22, 2021.

10. In Order No. 2021-384 dated May 26, 2021, the Commission ordered DESC to file by June 7, 2021, an amended application that includes the Company's "proposals for its standard offer, avoided costs methodologies, form contract power purchase agreements, commitment to sell forms, and any and all other appropriate terms and conditions for which it seeks approval."

11. Pursuant to Order No. 2021-384, the Company filed its First Amended Application on June 7, 2021.

12. In the course of preparing its direct testimony for filing, the Company has updated certain information, including changes to the proposed tariffs, and believes that it would be appropriate to include this information in an updated Application. Accordingly, DESC respectfully submits this Second Amended Application. The Company reserves the right to update any of the proposals contained herein based upon further review, calculations, and modeling.

Exhibits to this Second Amended Application

13. As explained more fully below and consistent with the requirements of the Energy Freedom Act, which was enacted in 2019 (“Act No. 62”), and Section 58-41-20, the Company proposes for approval the following costs, tariffs, forms, and methodologies, which are attached as Exhibits to this Second Amended Application:

- Rate PR-Avoided Costs Methodology tariff—clean and redline copies are attached as Exhibit 1.
- Proposed avoided costs, attached as Exhibit 2.
- Rate PR-1-Small Power Production, Cogeneration tariff—clean and redline copies are attached as Exhibit 3.
- Rate PR-Standard Offer tariff—clean and redline copies are attached as Exhibit 4.
- Standard Offer contract—clean and redline copies are attached as Exhibit 5.
- Rate PR-Form PPA tariff—clean and redline copies are attached as Exhibit 6.
- Form PPA—clean and redline copies are attached as Exhibit 7.
- NOC Form—clean and redline copies are attached as Exhibit 8.
- Solar Site Variability Metric mitigation protocol, attached as Exhibit 9.

Background

14. Act No. 62 directs the Commission

to address all renewable energy issues in a **fair and balanced manner, considering the costs and benefits to all customers** of all programs and tariffs that relate to renewable energy and energy storage, both as part of the utility’s power system and as direct investments by customers for their own energy needs and renewable goals. The commission also is directed to ensure that the revenue recovery, cost allocation, and rate design of utilities that it regulates are **just and reasonable** and properly reflect changes in the industry as a whole, the benefits of customer renewable energy, energy efficiency, and demand response, as well as any utility or state specific

impacts unique to South Carolina which are brought about by the consequences of this act.

S.C. Code Ann. § 58-41-05 (emphasis added).

15. Stated differently, Act No. 62 encourages the development of renewable energy resources, such as solar generation, in a manner that is fair and balanced to all customers of all programs related to renewable energy and energy storage, and makes clear that revenue recovery, cost allocation, and rate design of utilities should be just and reasonable.

16. Act No. 62 further establishes procedures to ensure that qualifying facilities (“QFs”) are properly compensated for the energy they produce, as is required by the Public Utility Regulatory Policies Act of 1978 (“PURPA”), while at the same time mandating that costs not be shifted onto other utility customers resulting in the subsidization of such programs.

17. In this manner, Act No. 62 is designed to ensure that the Company determines its costs and sets its rates at just and reasonable levels and implements the programs required by the act, while also preventing the shifting of costs to customers.

18. DESC’s current standard offer, avoided cost methodologies, form contract power purchase agreements, commitment to sell forms, and other appropriate terms and conditions were approved by the Commission in Order No. 2019-847, dated December 9, 2019, and Order No. 2020-244, dated March 24, 2020, issued in Docket No. 2019-184-E.

19. In Order No. 2019-847 and Order No. 2020-244, the Commission approved the Company’s use of the Difference in Revenue Requirements (“DRR”) methodology and further approved the following avoided energy and capacity costs, as well as the variable integration charge, for the Company’s Rate PR-1 for non-solar and solar QFs:

**PR-1 RATE: AVOIDED ENERGY COST
Non-Solar QFs (\$kWh)**

	<u>Summer</u> (June-September)	<u>Winter</u> (October-May)
On-Peak	\$0.03075	\$0.03330
Off-Peak	\$0.02566	\$0.03363

**PR-1 RATE: AVOIDED ENERGY COST
Solar QFs (\$kWh)**

	<u>Summer</u> (June-September)	<u>Winter</u> (October-May)
On-Peak	\$0.03075	\$0.03330
Off-Peak	\$0.02566	\$0.03363

**PR-1 RATE: AVOIDED CAPACITY COST
Non-Solar QFs (\$/kWh)**

Time Period	(\$/kWh)
December thru February, 6:00 a.m. to 9:00 a.m.	0.24725

**PR-1 RATE: AVOIDED CAPACITY COST
Solar QFs (\$/kWh)**

Time Period	(\$/kWh)
Year-Round	0.00379

**PR-1 RATE: VARIABLE INTEGRATION CHARGE
Solar QFs (\$/kWh)**

Time Period	(\$/kWh)
Year-Round	0.00096

20. The Commission further approved in Order No. 2019-847 and Order No. 2020-244 the following avoided energy and capacity costs, as well as the variable integration charge, for DESC's proposed Rate PR-Standard Offer for non-solar and solar QFs:

**STANDARD OFFER RATE: AVOIDED ENERGY COST
Non-Solar QFs (\$/kWh)**

Time Period	Peak Season Peak Hours (\$/kWh)	Peak Season Off-Peak Hours (\$/kWh)	Off-Peak Season Peak Hours (\$/kWh)	Off-Peak Season Off-Peak Hours (\$/kWh)
2020-2029	0.03105	0.02751	0.03252	0.02893

**STANDARD OFFER RATE: AVOIDED ENERGY COST
Solar QFs (\$/kWh)**

Time Period	Peak Season Peak Hours (\$/kWh)	Peak Season Off-Peak Hours (\$/kWh)	Off-Peak Season Peak Hours (\$/kWh)	Off-Peak Season Off-Peak Hours (\$/kWh)
2020-2029	0.03105	0.02751	0.03252	0.02893

**STANDARD OFFER RATE: AVOIDED CAPACITY COST
Non-Solar QFs (\$/kWh)**

Time Period	(\$/kWh)
December thru February, 6:00 a.m. to 9:00 a.m.	0.24725

**STANDARD OFFER RATE: AVOIDED CAPACITY COST
Solar QFs (\$/kWh)**

Time Period	(\$/kWh)
Year-Round	0.00379

**STANDARD OFFER RATE: VARIABLE INTEGRATION CHARGE
Solar QFs (\$/kWh)**

Time Period	(\$/kWh)
Year-Round	0.00096

21. The Commission approved in Order No. 2020-244 an avoided capacity value of 11.8% based on a methodology recommended by ORS Witness Brian Horii, finding that his methodology yielded a value that “is reflective of the actual avoided capacity value for solar at this time.”

22. The Commission also approved in Order No. 2020-244 a variable integration charge (“VIC”) of \$0.96/MWh for Solar QFs as a “temporary, interim value until a more accurate cost can be determined through an integration study,” and further directed that, “[o]nce a more accurate rate is determined, the VIC/EIC will be subject to a true-up, either up or down, depending on the actual integration cost indicated by the integration study.” Pursuant to S.C. Code Ann. § 58-37-60, which authorizes the Commission to conduct an integration study using its own consultant, the Commission in Order No. 2020-583 directed the Clerk to “open a new docket or dockets for consideration of the utility integration studies,” which was done for DESC in Docket No. 2020-219-A, “Utility Integration Studies of Dominion Energy South Carolina, Incorporated (Pursuant to Commission Directive Order No. 2020-583).” The process contemplated in Docket No. 2020-219-A remains pending.

23. The Commission also approved in Order No. 2019-847, subject to modifications in Order No. 2020-244, the Company’s current Rate PR-1 tariff, Rate PR-Standard Offer tariff and Standard Offer (as defined below) contract, Rate PR-Avoided Cost Methodology tariff, Rate PR-Form PPA tariff and form power purchase agreement (“Form PPA”), and the Notice of Commitment Form (“NOC Form”). The current Rate PR-Avoided Cost Methodology tariff, Rate PR-Form PPA tariff, Form PPA, and NOC Form were filed with the Commission by letter dated December 19, 2019, pursuant to Order No. 2019-847. The current Rate PR-1 and Rate PR-Standard Offer tariffs, as well as the Standard Offer contract, were revised pursuant to Order No. 2020-244 and filed with the Commission by letter dated March 26, 2020.

24. The Commission in Order No. 2020-244 direct a limited rehearing on the issue of power purchase agreement (“PPA”) durations for longer than ten years, as well as related terms and conditions. However, the parties requesting a rehearing, South Carolina Solar Business

Alliance, Inc., South Carolina Coastal Conservation League and Southern Alliance for Clean Energy, and Johnson Development Associates, Inc., withdrew their request by letter dated June 17, 2020, and the hearing contemplated for considering the limited issue of PPA durations was cancelled.

Avoided Cost Methodologies and Calculations

25. As defined by both PURPA regulations and Act No. 62, “avoided costs” are “the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from [QFs], such utility would generate itself or purchase from another source.” 18 C.F.R. § 292.101(b)(6); S.C. Code Ann. § 58-41-10(2).

26. The Federal Energy Regulatory Commission (“FERC”) further recognizes that avoided costs may include “energy” or “capacity” or both. Specifically, “[e]nergy costs are the variable costs associated with the production of electric energy (kilowatt-hours). They represent the cost of fuel, and some operating and maintenance expenses. Capacity costs are the costs associated with providing the capability to deliver energy; they consist primarily of the capital costs of facilities.” *Small Power Production and Cogeneration Facilities; Regulations Implementing Section 210 of the Public Utility Regulatory Policies Act of 1978*, Order No. 69, 45 Fed. Reg. 12,214, 12,216 (Feb. 25, 1980).

27. The Commission also has recognized in Order No. 81-214, dated March 20, 1981, Docket No. 80-251-E, and in subsequent decisions that electric utilities are entitled to recover from customers their avoided costs paid to QFs under PURPA.

28. Importantly, section 210(b) of PURPA does not allow for a rate which exceeds the incremental cost to the electric utility of alternative electric energy. 16 U.S.C. § 824a-3(b). PURPA then defines “incremental cost of alternative electric energy” as “the cost to the electric

utility of the electric energy which, but for the purchase from such cogenerator or small power producer, such utility would generate or purchase from another source” 16 U.S.C. § 824a-3(d). In summary, PURPA’s implementing regulations also expressly provide that “[n]othing ... requires any electric utility to pay more than the avoided costs for purchases” from QFs. 18 C.F.R. § 292.304(a)(2).

29. Congress intended the avoided cost rate to serve as an “upper limit on the price at which utilities can be required under this section to purchase electric energy.” Joint Conference Comm. Report, H.R.Rep. No. 95–1750, at 98, 1978 U.S.C.C.A.N. 7797, 7832. By setting a ceiling of incremental cost on the amount a utility should be required to pay for a QF’s power, Congress expressed that PURPA is “not intended to require the rate payers of a utility to subsidize cogenerators or small power [producers].” Joint Conference Comm. Report, H.R. Conf. Rep. No. 95–1750, at 98, 1978 U.S.C.C.A.N. 7797, 7832; *see also* 16 U.S.C. § 824a-3(b); 16 U.S.C. § 824a-3(d) (1988); 18 C.F.R. § 292.301(b)(6); *Connecticut Light & Power Co.*, 70 FERC ¶ 61,012, at 61,023, 61,028, *recons. denied*, 71 FERC ¶ 61,035, at 61,151 (1995).

30. The FERC further defined costs in Order No. 69 by noting that if a utility purchases energy from a QF that would reduce its energy cost or would avoid purchasing energy from another utility, the rate for purchase from the QF should be based on the energy cost that the utility avoided. Rates may differentiate among QFs using various technologies and vary by resources. 18 C.F.R. § 292.304(c)(3)(ii). Where the QF puts the utility in a minimum generation situation, where base load capacity (with long ramping times) is being shut off, the avoided cost of energy is zero, or negative, and purchase is not required. 18 C.F.R. § 292.304(f)(1).¹

¹ The Company is aware that the FERC has elaborated upon this provision in the context of long-term contracts. *See, e.g., Idaho Wind Partners I, LLC*, 143 FERC ¶ 61,248 (2013).

31. For these reasons, PURPA operates to equalize the rate charges for utility power plant additions and utility purchases of QF power to ensure that customers do not pay more for electricity under either option.

32. Act No. 62 does not establish or provide additional benefits or incentives for solar generating facilities, other than the payment of the utility's avoided cost. To the contrary, S.C. Code Ann. § 58-41-20(A) provides that "[a]ny decisions by the [C]ommission shall be just and reasonable to the ratepayers of the electrical utility ... and shall strive to reduce the risk placed on the using and consuming public."

33. Thus, if a utility's avoided costs are calculated correctly and accurately reflect the utility's avoided costs, customers are not impacted by, and are economically indifferent to, purchases of QF power instead of the cost to construct and operate additions to utility power plant, and the solar generator is able to secure a non-discriminatory rate equal to DESC's avoided costs.

34. Thus, under PURPA and Act No. 62, utilities are only required to pay QFs and QFs are only entitled to recover the utility's avoided costs within the requirements of PURPA listed above, and nothing more.

35. As intended by PURPA and Act No. 62, the Company carefully calculates its avoided costs so that customers are not required to subsidize QFs through the payment of excessive rates and, instead, are economically indifferent to the purchases.

36. In considering the avoided cost methodologies to be approved in this proceeding, S.C. Code Ann. § 58-41-20(B) requires the Commission to

treat small power producers on a fair and equal footing with electrical utility owned resources by ensuring that:

(1) rates for the purchase of energy and capacity fully and accurately reflect the electrical utility's avoided costs; ... and

...

- (3) each electrical utility's avoided cost methodology fairly accounts for costs avoided by the electrical utility or incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by small power producers including those utilizing energy storage equipment. Avoided cost methodologies approved by the commission may account for differences in costs avoided based on the geographic location and resource type of a small power producer's qualifying small power production facility.

37. In considering the avoided cost methodology to be approved in this proceeding, the Commission also must consider the nature and characteristics of solar QFs, which comprise the vast majority of renewable energy small power producers that are the focus of Act No. 62.

38. The FERC outlined the following factors to consider when accounting for the avoided costs arising from the availability of capacity or energy from a QF during peak periods:

- (a) The ability of the electric utility to dispatch the qualifying facility;
- (b) The expected or demonstrated reliability of the qualifying facility;
- (c) The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for non-compliance;
- (d) The extent to which the scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the electric utility's facilities;
- (e) The usefulness of energy and capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;
- (f) The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system; and
- (g) The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities.

18 C.F.R. § 292.304(e)(2)(ii).

39. These factors necessarily contain considerations specific to that QF and its specific generation, and also broader system considerations, such as the incremental benefit of adding such increment of generation when compared to existing generation already on the system. For example, as discussed above, adding more and more energy with the same limited operating protocol

impacts minimum generation and the utility—and by extension its customers—do not receive a corresponding benefit. At some point, each additional unit procured of the same profile provides less benefit to the system than the previous unit of that energy source. When that leads to base load capacity being shut off, the avoided costs of energy are zero or negative and purchase is not required. This can arise where a single, intermittent fuel source with a distinct production profile dominates the renewable portfolio. If avoided cost rates are steady and not responding to the incremental generation, particularly as the utility reaches a saturation point, then this would necessarily mean that the utility is paying more for that energy than what it is worth to the utility.

40. The Company proposes to continue using the Difference in Revenue Requirements (“DRR”) methodology approved in Order No. 2019-847, which the Commission found in Order No. 2019-847 is “reasonable and prudent; satisf[ies] the requirements of PURPA, FERC’s implementing regulations and guidelines, and Act No. 62; [is] just and reasonable; [is] non-discriminatory to small power producers; and [has] the ability to reduce the risk placed on the using and consuming public.

41. Although the Company proposes to maintain the current DRR methodology, it is proposing certain changes in the language of its Rate PR-Avoided Cost Methodology tariff in this proceeding. That tariff is attached as Exhibit 1.²

42. Based on its calculations using the DRR, the Company proposes the avoided costs set forth in the schedules attached as Exhibit 2.³

43. As discussed above, Docket No. 2020-219-A, “Utility Integration Studies of Dominion Energy South Carolina, Incorporated (Pursuant to Commission Directive Order No.

² Exhibit 1 is updated so that Item A.6 of the non-redlined version fully reflects the changes shown in the redlined versions.

³ Exhibit 2 remains unchanged from that attached to the First Amended Application.

2020-583)” remains pending. Therefore, in this proceeding, the Company is proposing an updated VIC calculation based on the Company’s operating system and pursuant to a study commissioned by the Company and performed by Guidehouse.

44. Based on the commissioned study, the Company is proposing a VIC in the amount of \$1.80/MWh⁴ for the first tranche of solar, which ranges from 341 MW to 973 MW. The Solar QFs in this tranche are subject to a true-up in accordance with Order No. 2020-244 when compared with the interim VIC of \$0.96/MWh.

45. Based on the commissioned study, the Company is proposing a VIC in the amount of \$3.43/MWh⁵ for the second tranche of solar, which includes contracts entered into after June 1, 2021.⁶

46. Consistent with the discussion above, as more solar-only QFs are added to the Company’s existing lineup, the avoided costs for that type of solar generator decrease, leading to different avoided costs for this type of solar generator versus other types of QF generators. To properly reflect the Company’s avoided costs and avoid having other customers subsidize solar-only QFs, it is necessary to implement different avoided costs for solar-only QFs versus other entities.

47. Based on the foregoing, the Company proposes for review, consideration, and approval by the Commission the Rate PR-1-Small Power Production, Cogeneration tariff attached

⁴ The VIC for Tranche 1 has been updated since the Amended Application was filed. The VIC was \$1.94 as set forth in Paragraph 42 of the First Amended Application.

⁵ The VIC for Tranche 2 has been updated since the Amended Application was filed. The VIC was \$3.37 as set forth in Paragraph 43 of the First Amended Application.

⁶ The Company continues to review and evaluate what might be an appropriate VIC for different levels of capacity added to the DESC system.

as Exhibit 3.⁷ This proposed tariff satisfies the requirements of PURPA, FERC's implementing regulations and guidelines, and Act No. 62; is just and reasonable; is non-discriminatory to small power producers; and has the ability to reduce the risk placed on the using and consuming public.

Standard Offer

48. Under PURPA, a standard offer is a PPA that contains established terms and an avoided cost rate paid to eligible QFs that are 100 kW-AC or less. Although PURPA set the threshold at 100 kW-AC, states have the flexibility to increase that threshold.

49. Under Act No. 62, the General Assembly increased that threshold to 2 MW. Specifically, S.C. Code Ann. § 58-41-10(15) states that a standard offer is "the avoided cost rates, power purchase agreement,⁸ and terms and conditions approved by the [C]ommission and applicable to purchases of energy and capacity by electrical utilities ... from small power producers up to two megawatts AC in size." ("Standard Offer"). Additionally, the Standard Offer contract sets the terms and conditions and allows any small power producer, as defined by S.C. Code Ann. § 58-41-10(14), to contract with the utility to supply electricity at established rates without the need to negotiate individual contracts.

50. The Standard Offer contract essentially provides an open contract executed by the utility with established prices, terms, and conditions that are not open for negotiation by DESC or

⁷ Exhibit 3 has been revised since the filing of the First Amended Application to reflect the updated VIC calculation and also to reflect the standard rounding format.

⁸ "'Power purchase agreement' means an agreement between an electrical utility and a small power producer for the purchase and sale of energy, capacity, and ancillary services from the small power producer's qualifying small power production facility." S.C. Code Ann. § 58-41-10(9).

the eligible QF. The proposed rates available to qualifying small power producers under the Standard Offer contract are set forth in the Rate PR-Standard Offer tariff attached as Exhibit 4.⁹

51. As for the Standard Offer contract itself, the Company proposes for review, consideration, and approval by the Commission the Standard Offer contract attached as Exhibit 5.¹⁰ The Company's existing Standard Offer contract and accompanying tariff contain prudent and commercially reasonable terms and conditions, including but not limited to reasonable terms for avoided costs, liquidated damages and extension payments, and guaranteed energy production. As such, the Company proposes minor modifications to the existing Standard Offer contract. A majority of these modifications are driven from an administrative perspective and ensure consistency with the Company's parent company on items such as insurance and performance assurance.

52. The proposed Standard Offer and accompanying tariff also contain terms and conditions for solar-only generation and non-solar generation projects.

Form Contract PPA

53. The Form PPA is similar to the Standard Offer contract, except that, pursuant to S.C. Code Ann. § 58-41-20(A), it is for use for qualifying small power production facilities that are not eligible for the Standard Offer, i.e., QF facilities that are greater than 2 MW in size. The statute also requires that Form PPAs contain provisions for force majeure, indemnification, choice of venue, confidentiality provisions, and other such terms. However, the Form PPA is not determinative of the price or duration of the contract and these issues are to be separately

⁹ Exhibit 4 has been revised since the filing of the First Amended Application to reflect the updated VIC calculation and also to reflect the standard rounding format.

¹⁰ Exhibit 5 has been updated to reflect changes in the contract language developed in Section 5.1(a) of the Standard Offer contract since the First Amended Application was filed.

negotiated by the Company and the applicable QF. The proposed rates and methodologies available to qualifying small power producers under the Form PPA are set forth in the Rate PR-Form PPA tariff attached as Exhibit 6.¹¹

54. As for the Form PPA itself, the Company proposes for review, consideration, and approval by the Commission the Form PPA attached as Exhibit 7.¹² The existing Form PPA contains appropriate terms for environmental liability; curtailment of service; Force Majeure; indemnification; damage repair; and other commercially reasonable terms and provisions.¹³ As such, the Company proposes minor modifications to the Form PPA which mirror those proposed in the Standard Offer contract. This proposed Form PPA and accompanying tariff satisfy the requirements of PURPA, FERC's implementing regulations and guidelines, and Act No. 62; are just and reasonable; are non-discriminatory to small power producers; and have the ability to reduce the risk placed on the using and consuming public.

55. The Company proposes that the Rate PR-Form PPA tariff be limited to a period of ten years.

Notice of Commitment to Sell Form

56. Act No. 62 also mandates that QFs "have the right to sell the output of its facility to the electrical utility at the avoided cost rates and pursuant to the power purchase agreement then in effect by delivering an executed notice of commitment to sell form to the electrical utility." S.C. Code Ann. § 58-41-20(D).

¹¹ Exhibit 6 has been updated in the Availability section to correct two (2) KW to two (2) MW.

¹² Exhibit 7 has been updated to reflect proposed changes in the contract language developed in Section 5.1(a) of the Form PPA since the First Amended Application was filed.

¹³ The Company's Rate PR-Storage tariff approved in Order No. 2020-552 issued in Docket No. 2019-393-E on August 18, 2020, will continue to apply to proposed projects incorporating storage, subject to availability.

57. This standard NOC Form is required to provide the QF a reasonable period of time from its submittal of the form to execute a PPA but shall not require a QF, “as a condition of preserving the pricing and terms and conditions established by its submittal of an executed [NOC Form] to the electrical utility, ... to execute a [PPA] prior to receipt of a final interconnection agreement from the electrical utility.” *Id.*

58. The Company proposes for review, consideration, and approval by the Commission the NOC Form attached as Exhibit 8.¹⁴ The existing NOC Form contains prudent and commercially reasonable terms for its application, operation, day-in-service deadline, eligibility pre-conditions, termination, interconnection facilities, damages, seller termination payments, and other appropriate and commercially reasonable terms. As such, many of these provisions remain unchanged in the proposed NOC Form. However, the proposed NOC Form also contains terms and conditions for projects with and without battery storage capabilities—depending on the QF’s operations—and revisions to reflect recent policy decisions at the FERC.

59. The proposed NOC Form is just and reasonable; provides small power producers a reasonable time from the submittal of the form to execute a PPA; satisfies the requirements of PURPA, FERC’s implementing regulations and guidelines, and Act No. 62; is non-discriminatory to small power producers; and reduces the risk placed on the using and consuming public.

Other Appropriate Terms and Conditions

60. Act No. 62 authorizes the Commission to approve other terms and conditions as may be required to implement the requirements of S.C. Code Ann. § 58-41-20.

¹⁴ Exhibit 8 remains unchanged from that attached to the First Amended Application.

61. In accordance with Commission Order 2020-244, the Company submitted for approval certain mitigation protocols (“Mitigation Protocols”) that might reduce the VIC and the Embedded Integration Charge (“EIC”)¹⁵ incurred by certain solar projects on the DESC system.

62. Specifically, by letter dated June 1, 2020, and filed in Docket No. 2019-184-E, the Company proposed the Solar Site Variability Metric (“SSVM”), which measures the degree to which a solar QF reduces its variability using the protocols and is calculated using data collected by such solar QF at the site using a revenue quality meter and a specified methodology.

63. A copy of the proposed Mitigation Protocols submitted in Docket No. 2019-184-E is attached as Exhibit 9.¹⁶

64. Because the Mitigation Protocols have not been approved as part of Docket No. 2019-184-E, the Company incorporates by reference its June 1, 2020 letter filed in that docket and requests that the Commission approve the proposed Mitigation Protocols.

65. In the course of these proceedings, the Company may identify and propose other terms as conditions as may be reasonable, prudent, and necessary to further the purposes of Act No. 62.

Prayer for Relief

66. Wherefore, DESC prays that the Commission consider, review, and approve the following:

- (a) The Company’s continued use of the Difference in Revenue Requirements methodology for calculating avoided costs;

¹⁵ The VIC is meant to collect integration costs in certain power purchase agreements that do not account for such costs, whereas the EIC is factored into the Company’s current avoided cost methodology.

¹⁶ Exhibit 9 remains unchanged from that attached to the First Amended Application.

- (b) The Company's proposed avoided costs, calculating using the DRR methodology;
- (c) The Company's proposed updated VIC and the calculation of an accompanying true-up as required by Order No. 2020-244 based on the VIC approved in this proceeding;
- (d) The Company's proposed tariffs and form contracts for implementing the provisions of Section 58-41-20(A), including the following:
 - (i) Rate PR-Avoided Costs Methodology tariff;
 - (ii) Rate PR-1-Small Power Production, Cogeneration tariff;
 - (iii) Rate PR-Standard Offer tariff;
 - (iv) Standard Offer contract;
 - (v) Rate PR-Form PPA tariff;
 - (vi) Form PPA; and
 - (vii) NOC Form;
- (e) The Company's use of the Mitigation Protocols;
- (f) Any and all other appropriate terms and conditions as may be appropriate and prudent for purposes of this proceeding; and
- (g) The grant of such further, different, or other relief as may be warranted, just, reasonable, and lawful.

Respectfully submitted,

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